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United States General Accounting Office
Washington, DC 20548

June 19, 2001

The Honorable John D. Dingell, Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives

Subject: Day Trading Status Report

Dear Mr. Dingell:

This letter confirms our commitment to study the progress made by the Securities and Exchange Commission, self-regulatory organizations, and the day trading firms to respond to concerns raised about day trading as requested in your letter of February 5, 2001, to the Comptroller General. Based on discussions with your staff on May 4, 2001, we will complete our work and issue a written product to you by September 25, 2001. The enclosure sets forth the understanding reached with your staff on the key aspects of the study.

We look forward to working with you and your staff on this assignment. If you have questions, you may contact me on (202) 512-8678 or Orice M. Williams, Assistant Director, on (202) 512-5837.

Sincerely yours,

Richard J. Hillman
Director, Financial Markets
and Community Investment

Enclosure

Terms of the Work

Objectives/Key Questions

- 1) What actions has the SEC and self-regulatory organizations taken to respond to GAO's and the Permanent Subcommittee on Investigation's recommendations concerning day trading?
- 2) What changes have occurred in the industry and what actions have day trading firms taken to respond to concerns raised by the Permanent Subcommittee on Investigations and others?

Methodology

To address the first objective, we plan to talk to SEC and the relevant SROs about the status of their ongoing examinations of day trading firms. In addition, we plan to review completed examination reports that were initiated since our last review. We will compare the new examination findings to those reported in our 2000 report. To determine how the industry has changed and what actions the firms have taken, we plan to meet with the seven firms we contacted in 2000. We will also compare their current disclosure to their previous disclosure. In addition, we will also access the Web sites of day trading firms and review their account opening documents. Finally, we plan to interview various knowledgeable and interested organizations and individuals about the status of day trading.

Product Type

Letter Report

Product Delivery Date(s)

September 25, 2001